Transformation to Accelerate Innovation and Growth

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Industry and Market Trends

PACE OF CHANGE²

Market Transitions

Economic Transitions

Technology Transitions

Disrupt or Be Disrupted

Innovation Speed

Pace of Cha...

Short-Term Thinking Shareholders

Regulatory Compliance

CEO / CIO
FAST IT

Digital Company

New Business Models

...curity Concerns

New Competitors

Why Companies Succeed or Fail

Market Transitions

Right Thing Too Long

Reinvent

Customer Centric

Every Business, City, Country Becomes Digital

Digitization

Fast Innovation ←→ Fast IT

Internet of Everything

Security

Powering a Decade of Massive IT Growth

Cisco's Transformation Journey

Cisco's Transformation Point of View

Defining Transformation

A fundamental shift in thinking…
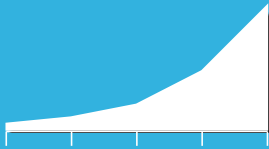
From fixing what is wrong to **unleashing what is possible**

Transformation Mission

Identify opportunities to…

- **Enhance operating model**
- **Create value and success**
- **Fuel future growth**

CISCO

Unleashing What Is Possible

Business Model Shifts
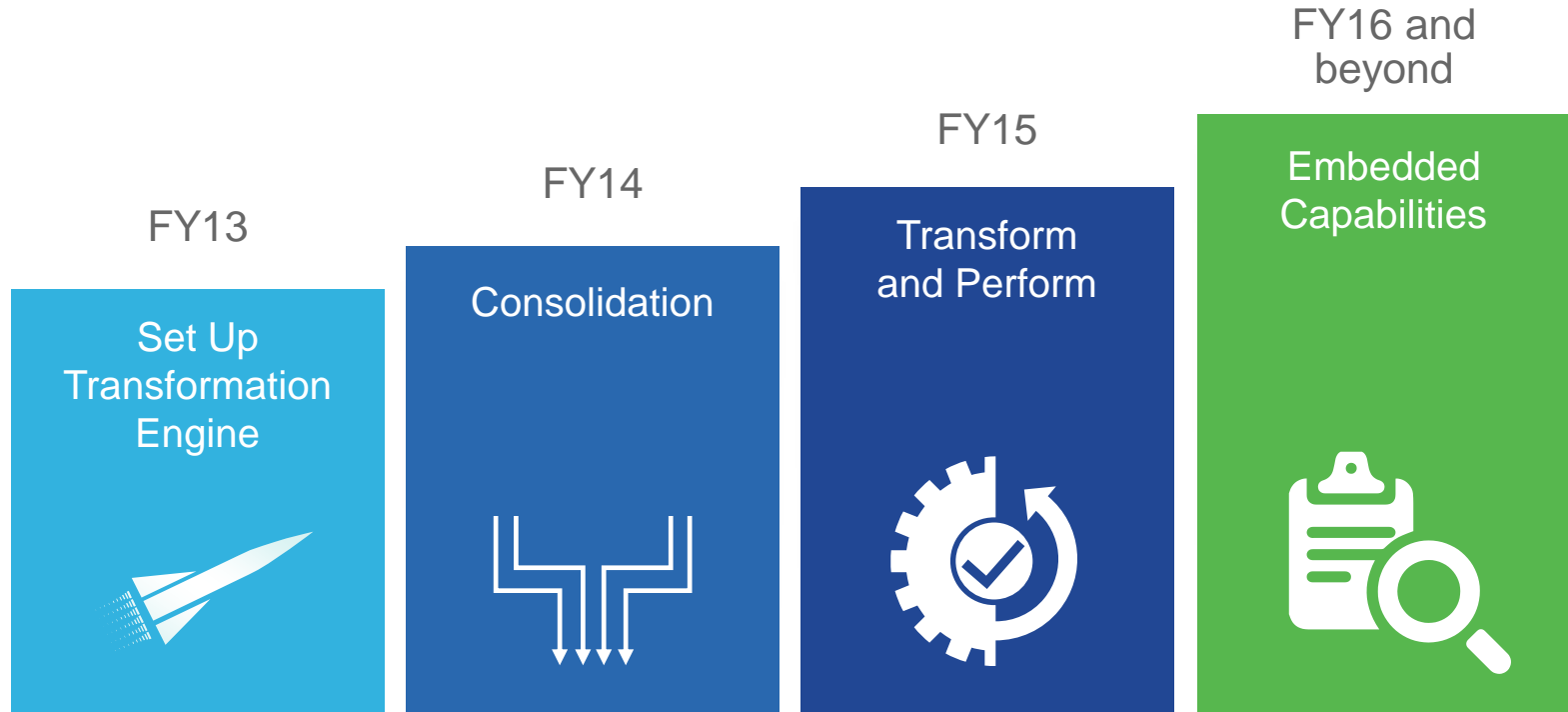
Exponential Thinking

Cross-Cisco Connections

Iterative Design

Operating Leverage

Linear Execution

Cisco's Transformation Journey

FY13

Set Up Transformation Engine

FY14

Consolidation

FY15

Transform and Perform

FY16 and beyond

Embedded Capabilities

Acceleration Towards Better Business Outcome

Year 1 — Quick Wins

Year 2 — Value Capture

Year 3 — Value Creation

Cisco's Transformation
What We've Achieved

Drove Financial Impact

➢ Created discipline and rigor for business case management

➢ Delivered benefits of $581M in FY13 and $1.8B in FY14*

* Benefits re-invested in business to accelerate growth and/or generate additional efficiencies

Installed Change Governance

➢ Implemented "stage gate" methodology and processes

➢ Improved accuracy and transparency

➢ Ensured ongoing execution reviews

➢ Successfully graduated 19 initiatives

Reinvigorated Ideation and Innovation

➢ Matured portfolio management system

➢ Continually prioritized portfolio

➢ Installed process for rapid ideation

Embedded New Behaviors

➢ Developed transformational leaders

➢ Created cross-functional alignment and accountability

➢ Instilled new behaviors and capabilities

➢ Shared lessons-learned with customers

Transform While We Perform

"Today's Transformation is Tomorrow's Foundation"

Olivier Kohler, Chief Administrative Officer, Cisco

Changing the Business

- New Capability Enablement
- Agility
- Business Architecture Driven

Related and Ongoing

Running the Business

- Continuous Improvement
- Scale
- Process Innovation Driven

Enabling Growth, Operating Leverage, and Satisfaction

Keys to Transformation
Process

- Set **scope broadly** (no organization gets a hall pass)

- Establish **targets** using **analytics** and **benchmarking**

- **Balance** exponential thinking with linear execution

- **Aim** for short-term performance with long-term focus

- Apply process **rigor** and drive **accountability**

- Make **"no regrets" decisions**

- Get your **best people** on it

- Communicate with regular **cadence** and **transparency**

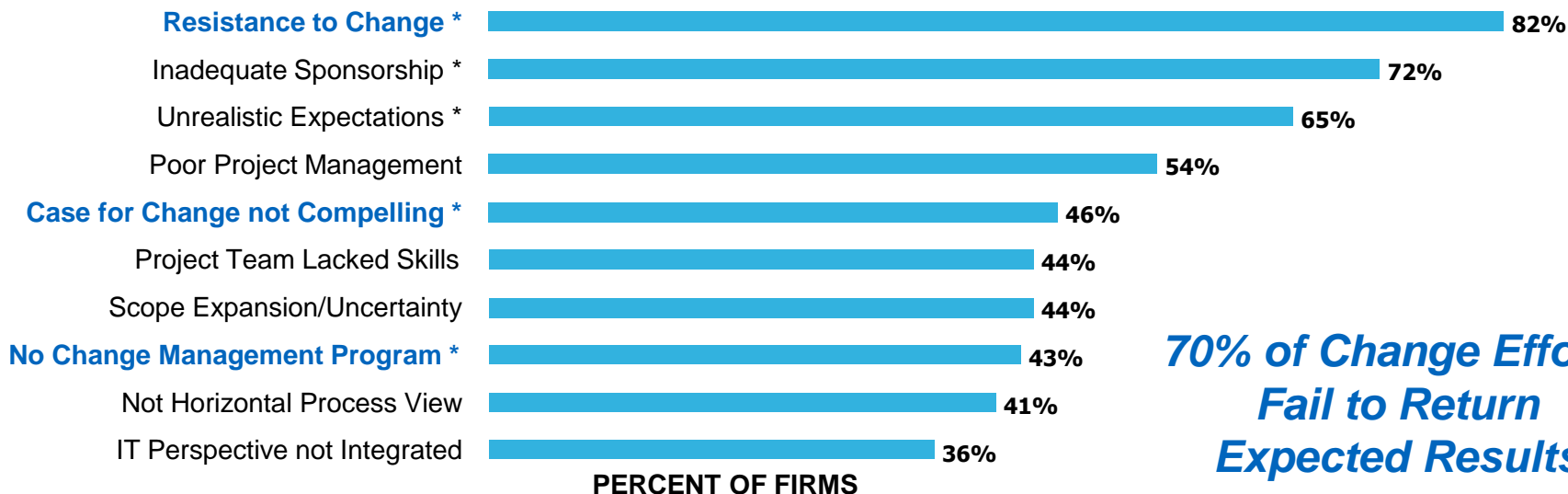## Communicate, Model and Teach Values

Overcoming Reluctance to Change

Primary Barriers to Successful Change

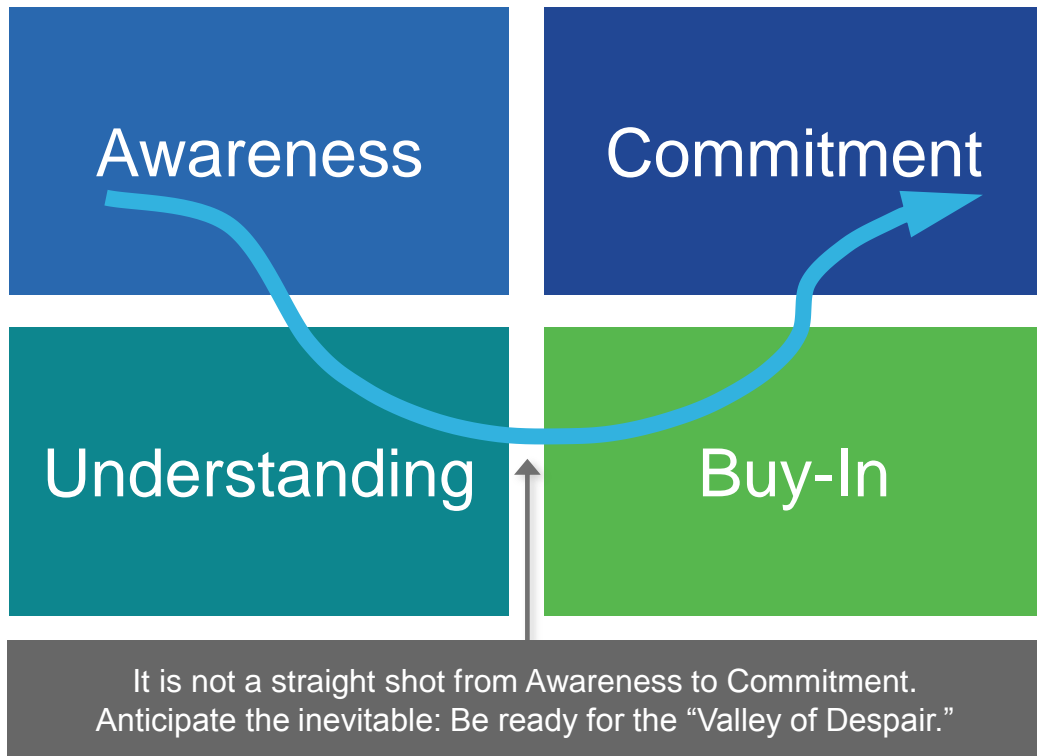*5 out of the top 10 barriers to business transformation are "people and organizational" issues*

Top 10 Barriers

Barrier	Percent
Resistance to Change *	82%
Inadequate Sponsorship *	72%
Unrealistic Expectations *	65%
Poor Project Management	54%
Case for Change not Compelling *	46%
Project Team Lacked Skills	44%
Scope Expansion/Uncertainty	44%
No Change Management Program *	43%
Not Horizontal Process View	41%
IT Perspective not Integrated	36%

PERCENT OF FIRMS

70% of Change Efforts Fail to Return Expected Results

The **REAL** "Change Commitment" Curve

Awareness	Commitment
Understanding	Buy-In

It is not a straight shot from Awareness to Commitment.
Anticipate the inevitable: Be ready for the "Valley of Despair."

Keys to Transformation
Behaviors

- Aim for **transformational**, not incremental, **improvement**

- Commit **publicly and privately**

- Act **decisively** and **confidently**

- Address **culture** to embed the **change**; don't just instill it

- Look after your **colleagues**

- **Persevere** in spite of challenges

- Balance what's **urgent** with what's **important**

- Learn from **mistakes** and **successes**

Communicate, Model and Teach Values

Accelerating Innovation and Growth Through Integrated Business Services

Our Strategy

Provide an improved experience for Cisco customers, partners and employees while increasing operating leverage

Introduce new capabilities and deliver end-to-end policies, processes and systems that enhance our business outcomes

Deliver and govern globally consistent shared services with an organization of transactional and transformation teams

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Our Journey

Process Driven

Value Driven

Function Driven

Goal

FY16

We are here

FY15

FY13/14

FY10/12

Shared Services Evolution

Discrete Shared Services

Multifunctional Shared Services

Global Shared Services

Process Optimization
- Cross Functional
- Outsourced Model
- Cost Reduction

Global Business Services

Process Innovation
- End-to-End Value Chain
- Transformation and Execution
- Global Consistency
- Functional Agnosticism

Business Value
- Growth Enablement
- Consistency
- Efficiency
- Scalability
- Compliance

Integrated Business Services

Rapid Response Processes
- End-User Experiences
- Agility and Iterations
- Predictive Analytics and Insights
- Business Outcomes

Business Value
- Growth Acceleration
- New Business Model Enablement
- Speed and Agility
- Complexity Reduction
- Effectiveness

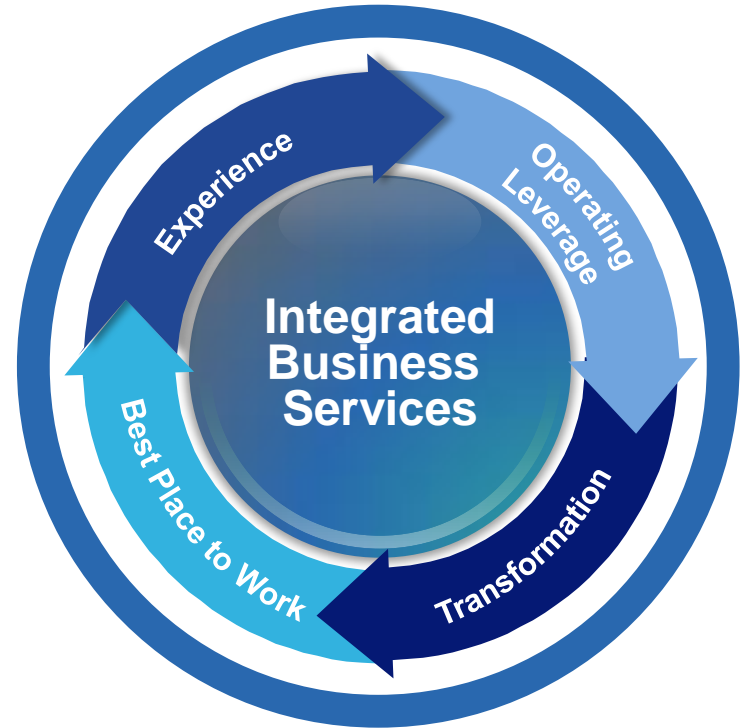| Adoption Across Companies	
Discrete Shared Services:	51%
Multifunctional Shared Services:	21%
Global Business Services:	12%
Integrated Business Services:	6%

Benchmark Source: Accenture Research 2014
Integrated Business Services Trends

Why Integrated Business Services?

Role	Focus	Cisco's Approach
Enterprise Value Enabler	Value Creation	Business Outcome End-user Experience Growth Acceleration
Business Partner	Business Partner	Business Agility Save to Invest Portfolio Management
Expert	Effectiveness	Operating Leverage Time-To-Market Cost-to-Serve
Operator	Efficiency	Scale Location Strategy Cost Savings
Administrator	Compliance and Control	Business Control Policy Compliance

Source: The Hackett Group`

CISCO

Digitization Enables Integrated Business Services

Operational Excellence Delivers Value

Increase Agility

Capture Opportunity

Improve Experience

Enable Growth

" If your organization cannot adapt, evolve, and respond to the expectations and desires of the people you're serving – including your **employees** – **you** will fail in their estimation and find your company mired in mediocrity."

~ Professor Tony O'Driscoll
Duke University Fuqua School of Business